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29 August 1966

MEMORANDUM FOR: J. S. Earman

This memorandum summarizes the principal points of our conversation today regarding contractor participation in Agency R&D programs.

1. During the course of our study, it was mutually recognized that obtaining the best contractor response to Agency needs was difficult at times because there wasn't large production orders as a motivation.

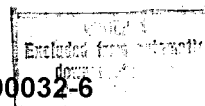
2. Other reasons, such as the highly specialized needs, frequent pushing of the state-of-the-art, and necessary communication restrictions because of security regulations, also contribute to difficulty in obtaining the contractors best, especially when Agency needs are in competition, in effect, with popularly known DoD programs.

The question of response to the Agency was brought forcefully back to mind when I recently had occasion to observe some current contractor activities and procedures. It seems prudent to consider the contractor's role at the same time Agency procurement practices are being evaluated and changes contemplated.

It has been observed that in many cases the contractor technical people are predominant in contacts made with the Agency. While the necessity and value of solid technical-to-technical interface is well recognized, if this exists sufficiently to the exclusion of involvement of administrative and top management in the contractor's organization, Agency Requests for Quotation (RFQ's) and contracts may suffer. While the Agency, on the one hand, is engaged in improving procurement by creating more team effort at the operational level and improving information flow to properly involve higher levels of Agency management, what, on the other hand, is the situation on the contractor side?

Some large corporations have in the past set up task forces to examine the "Intelligence Community market". To my knowledge these efforts have been less successful than hoped for. It was difficult to

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obtain organizational information and virtually impossible to forecast potential business. As a consequence, the market went largely undefined and therefore played a smaller role in planning and utilizing resources. Likewise, when individual RFQ's emerged from the Agency, they frequently had little leverage on top (and even middle) management who were largely occupied with DoD business.

You had noted the importance of the contractor when we were originally discussing the Procurement Study work statement. We had agreed at the time, however, not to include contractor contact in the interest of a manageable scope. It is suggested that this question be re-examined. There will necessarily always be competition of sorts (especially in situations like the current Vietnam one) between the Agency and DoD for contractor talent--if only for the reason that DoD represents a potentially larger production market. It seems important, however, that the Agency insure that the proper Agency-management-to-contractor-management communication channels are open and used to obtain sufficient contractor attention to RFQ's and the administration of contracts. It may well be that all of this is not such a problem and that much goes on of which I am unaware. Based on what I've observed, however, the channel to and from contractors is quite largely on an engineering basis only and, if so, can be a major disadvantage to the Agency.

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